

REQUEST FOR PROPOSALS
RECREATIONAL NEEDS ANALYSIS
LEECH LAKE, MINNESOTA, RECREATION AREA



UNITED STATES ARMY CORPS OF ENGINEERS
HEADWATERS PROJECT OFFICE
MARCH 2003

A. INTRODUCTION

The Headwaters Project Office of the United States Army Corps of Engineers (Corps), solicits proposals from qualified firms to study the Corps site located near the small community of Federal Dam, MN, identify and assess facilities and programmatic alternatives for meeting Corps objectives, and estimate market performance now, and throughout the next decade. The Goals of the Corps are to:

- Enhance the quality and diversity of recreational opportunities afforded by the property,
- Expand its marketability,
- Estimate its potential marketability under alternative future scenarios, and
- Improve its return on investment.

The term of the firm fixed price contract resulting from this solicitation will be six months. The Corps will provide a primary contact to expedite communications with the contractor. Government furnished resources will be limited to access to existing reports, to Rangers located at the site and others involved in operating the site, and to the Project Manager (PM).

B. PURPOSE

The Corps operates numerous water-related recreational facilities in North Central Minnesota. The Corps continually strives to assure that these facilities are operated in a manner that best serves the communities in which they reside, and the citizens for whom they were designed to provide recreational opportunities. This Request for Proposal (RFP) solicits assistance in gathering and characterizing data, and formulating recommendations based on these data, that will enable the Corps to achieve optimal utilization of its Leech Lake Recreation Site facilities at Federal Dam, MN, on Leech Lake.

The study is prospective in nature, and should provide guidance relating to future investments that will track and intercept market trends for at least a decade into the future. This long-term perspective will enable these investments to be targeted on facilities and services that optimize the Corps return on past and future investments.

In formulating these recommendations, the contractor must be sensitive to the unique constraints that govern the interactions between the Corps, local governmental units, and competing private sector enterprises. The Corps will assist the contractor in understanding these issues. Early in the study process, the Corps will facilitate a meeting with the Contractor and appropriate Corps staff to help the Contractor become familiar with Corps regulations and policies pertaining to the inter-relationship of recreation, real estate and concessionaire issues.

The successful bidder will:

- 1) Analyze the current attributes of the site from a marketability perspective in today's market setting
- 2) Collect data on, and characterize the demographics of the site's traditional visitors
- 3) Estimate the market fate of the site in its current configuration (allowing for currently planned maintenance and upgrading) in the face of anticipated demographic and market trends over the next decade
- 4) Estimate the potential of alternative marketing plans to increase utilization of the present site configuration
- 5) Identify and consider alternative site futures (e.g., swimming facilities, trails, four season operations, etc, and synthesize preliminary market estimates for each such alternative
- 6) Estimate, to a first approximation, the impact of alternative marketing strategies on each project option proposed for implementation here
- 7) Estimate probable trends in the competitive structure of the market for sites of the type considered under the alternatives proposed for implementation at the Corps site
- 8) Estimate the impact of proposed alternatives on the surrounding community and its private sector businesses
- 9) Recommend those activities in which it might be appropriate to utilize private sector concessionaires to provide facilities and services, and provide a rationale for these recommendations
- 10) To the extent use of concessionaires is suggested, characterize the proposed responsibilities of each party
- 11) To the extent use of concessionaires is suggested, outline recommendations for attracting quality private sector participants
- 12) Investigate opportunities to promote collateral private sector development in the surrounding area that would compliment Corps services
- 13) Based on the data developed here, develop preliminary cost/risk/benefit estimates for those initiatives recommended for implementation, and
- 14) Formulate an implementation plan listing and ranking proposed projects, and providing recommended implementation schedules.

A detailed statement of the generalized bidder workscope outlined above is presented in Section D. (Scope of Work). The Corps operates numerous water-related recreational facilities throughout the nation, has considerable expertise in the construction and management of such sites, and is involved in continually updating and upgrading its facilities. It is hoped that this RFP will enhance these initiatives by adding significant private sector sources of expertise in market trends, marketing, competitive analyses, and the demographics of the recreational environment. On this basis, bidders are encouraged to exercise unbounded creativity in bringing their unique experience and skills to the tasks outlined here. This RFP lists a number of options for future development. These should be considered as illustrative of the general nature and scope of opportunities that have been suggested or considered in the past, and should not be construed to limit in any way the nature or range of options proposed by the contractor.

C. Background And Site Description

Leech Lake Dam History

Leech Lake Dam and Reservoir are part of the Mississippi River Headwaters Lakes Project located in north central Minnesota, approximately 100 miles west of Duluth, Minnesota. Leech Lake Dam is located at the outlet of the reservoir on the Leech Lake River, 27 river miles above the junction with the Mississippi River. The confluence of the Leech and Mississippi rivers is approximately 1,244 river miles above the mouth of the Ohio River. Leech Lake Dam is at the northwest edge of the town of Federal Dam in Cass County, Minnesota, 410 river miles above St. Paul, Minnesota, and 60 river miles above Pokegama Dam.

Leech Lake fills a basin formed by receding glaciers. The 126,000-acre reservoir, formed upon construction of the dam in 1884, controls the runoff from a 1,163-square mile drainage area, contains 316 miles of shoreline and encompasses about 14 natural lakes.

Leech Lake is well known for fishing opportunities for species such as walleye, perch, northern pike, bass, and musky. The area provides a wide variety of outdoor activities in addition to the fishing opportunities. The recreation area is located in the heart of the Chippewa National Forest and provides excellent camping, hiking, hunting, biking, and wildlife viewing opportunities. Those animals found in water, upland forests, and certain lowland habitats typify wildlife in the area. Of special significance are bald eagles nesting sites, timber wolves, and an annual influx of migrating pelicans and Canada geese. The project lies within the boundaries of the Leech Lake Indian Reservation and is rich in Native American history. The last battle between federal soldiers and Indians in the nineteenth century took place in 1898 a few miles to the south of the dam at Sugar Point. The conflict centered around a problem concerning the rights of Indians to sell reservation timber on flowage lands around the reservoir and was a decisive victory for the Indians.

The River and Harbor Acts of 1880 and 1882 authorized the construction of dams at each of the six Mississippi River Headwaters lakes for the purpose of forming reservoirs. Construction of the Leech Lake Dam began in 1883 and was completed in 1885. Native timber and other materials were used in the construction of the original dam due to the remote nature of the site. An examination of Winnibigoshish and Leech Lake Dams in 1898 revealed that the timbers were decaying at a faster rate than had been anticipated. The headwaters area had become more populated since the time the original structure was built, and it was decided that the replacement structure for the old timber dam could be built of concrete. The replacement began in 1899 and was completed in 1903.

In 1957 the Corps began constructing recreation facilities at the dam sites. In 1958, the dam tender at Leech Lake constructed outdoor privies and began to make parking provisions for camping trailers. Over the years, the 75-acre recreation area has seen vast improvements. The site now contains 77 campsites, a shower building with flush toilets and laundry facilities, a picnic shelter, playgrounds, two boat ramps and nature trails.

Campsites are modern and can accommodate large RV's and trailers. There are four primitive tent-only sites, and all others have electric hook-ups including five sites that also

have sewer and water hook-ups. Customers with boats can utilize a canal for safe overnight mooring. There is one concessionaire on site that operates a marina and guide service on Leech Lake.

The recreation area is separated into two distinct areas: campground and day-use. Within one of the day-use areas at Leech Lake Dam, the Corps through the use of concessionaires has operated an area known as the “Waterfront”.

The St. Paul District recreation program, including the Leech Lake site, became part of the National Recreation Reserve System (NRRS) in 1999. The ability of clients from throughout the country to reserve spaces through the NRRS has exposed the Leech Lake site to a much broader user base.

The Corps began providing basic facilities for public recreational users as early as 1912 in the form of concession leases at Leech Lake Dam. Four concessionaires were in operation in 1998. These concessionaires included two launch services, a gift store and a café. The only remaining concessionaire still in business is Tonga’s Launch Service. Tonga’s provides basic marina type services to the public such as dock and boat rental, bait, launch guide service, gas, etc.

To view a site map and brochure of Leech Lake Dam and Recreation Area, go to <http://www.mvp.usace.army.mil/docs/rec/leechlake.pdf>

Leech Lake Recreation Area Visitation Statistics

In recent years, user numbers have been somewhat flat. Increases in revenues were largely a function fee increases.

Leech Lake Recreation Area – Corps Revenues Generated			
Fiscal Year	Campground	Day Use	Total
2002	\$94,921	\$2,570	\$97,491
2001	\$89,066	\$3,710	\$92,776
2000	\$78,728	\$2,908	\$81,636

The following data was collected from hand-written campsite registration records kept by site staff. Percentages represent the occupancy rate of various campsite groups. Occupancy rates are determined using the number of camping days from May 1st through October 31st of each respective year (184 days), as this is the time period that the campground is open.

Leech Lake Recreation Area Occupancy Rates			
	CY 2002	CY 2001	CY 2000
Percentage of occupancy of all 77 campsites	45.6%	48.1%	46.9
Percentage of occupancy of the 5 full hook-up sites:	62.1%	61.5%	57.5
Percentage of occupancy of the 4 tent-only sites	24.7%	17.4%	12.1
Percentage of occupancy of the 2 handicap sites	40.5%	40.8%	36.9

Surrounding Communities

Leech Lake Dam and Recreation Area is located about 45 miles from Walker, MN, 50 miles from Grand Rapids, MN and about 50 miles from Bemidji, MN. Immediately adjacent to the Dam and recreational site is the very small community of Federal Dam.

Staff

Leech Lake Corps staff consists of:

- 1 Site Manager
- 1 Full Time Ranger.
- 1 Seasonal Ranger
- 2 College Cooperative Educational Students.
- 2 Seasonal Laborers

The site manager has been at Leech Lake since 1992 and has extensive knowledge about the Leech Lake site and surrounding region. Most of the daily maintenance operations are performed via contracted personnel.

Other Available Information

A magnitude of information is available at the Leech Lake Dam project office for review such as:

- Site master plan and supplement.
- Customer comment surveys.
- Photos.
- Letters and comments from local groups and potential customers.

D. SCOPE OF WORK

Overview: The contractor will proceed from the early acquisition of a thorough knowledge of the existing status of the facilities and operations at the Leech Lake Recreation site, through detailed analyses of the demographics of the sites clientele, the sites market potential in its present state, the site upgrades already planned for implementation by the Corps, and the economic and demographic attributes of the sites surrounding region. These background studies will enable the contractor to begin the synthesis of alternative futures for

the site, and the estimation of marketability for each proposed scenario over at least the next decade. The contractor will also make recommendations for marketing initiatives aimed at attracting potential site users that substantially broaden the site's client base, and at identifying and recruiting concessionaires. Finally, the contractor will provide a preliminary cost/risk/benefit estimate for each of the most promising future scenarios, and propose an implementation plan and schedule. The details of the Scope of Work are presented in the following paragraphs. The work is divided into 4 phases, with letter progress report required within 45 days of completion of phases 1 and 2, and a formal final report due within 45 days of the completion of phase 4. Phase 3 results will be incorporated in the final report.

PHASE 1 – Data Gathering

1) Current Site Characterization

The contractor will visit the site at Leech Lake Recreation Site to meet with the PM and the operating staff of the site. The PM (or his alternate) and the site staff will be available to meet with the contractor's staff throughout this site visit. The contractor will use this opportunity to characterize the present site and its operations, in order to establish a baseline upon which to build its recommendations for alternative futures for the site. The contractor, during this and/or subsequent visits, shall at a minimum:

- a) Become familiar with the physical properties of the site, including its topography, flora and fauna, road networks, campsite facilities, buildings, docks, and any other physical attributes that might impinge on its optimal utilization
- b) Meet with the PM and site staff to be briefed on the current condition of site facilities and plans for interim improvements that may proceed independent of the ongoing study under this contract, and to ascertain the status of existing concessionaires, and the history of their operations
- c) Catalog both the positive and negative aspects of the region in which the site resides. These efforts will focus primarily on Leech Lake Recreation Site, then extend the region of interest, at a lower level of rigor, to include Bemidji on the west, and Walker to the south, to enable the analysis of these communities current or potential impact, on the site's marketing. Factors to consider here include:
 1. Transportation from nearby hubs to the site
 2. Competition from off-site facilities
 3. Potential synergy between the Corps site and surrounding area assets
 4. The nature of regional recreational sites that appear unusually successful
- d) Characterize the demographics and recreational interests of the site's current clientele. The Headwaters Project Office conducted a User Survey in 2002 and the information obtained from the effort will be made available. It is anticipated that the contractor may wish to interview selected site users, and distribute questionnaires relating to their current and future recreational plans, and the attributes of the site – current or potential – that would most strongly influence their interest in returning and/or spending more time on the site in the future.

This effort to determine our customers market mediating considerations should, at a minimum, address such issues as:

- Safety
- Quiet
- Privacy
- Pricing
- Landscaping and site grooming aesthetics
- Boat launching
- Boat docking
- Interpretive Displays and Programs
- Marina facilities
- Boat rental
- Charter launch rental
- Swimming facilities
- Bait purchase
- Fish cleaning facilities
- Game cleaning facilities
- Refueling facilities for boats and recreational vehicles
- Convenience store type purchases
- Gift shop purchases
- Dining
- Winter sports (ice fishing, cross country skiing, and recreational vehicle riding)
- Shuttle transportation to shopping, dining, and casino facilities
- Indoor recreational opportunities for rainy days
- Fishing contests
- Access to cabins as well as campsites

This effort shall attempt to elicit data that are predictive of current and future levels of utilization, and may provide an excellent starting point for identifying priority improvements or modifications in the site's attributes and facilities.

2) Current Market Characterization

The contractor shall develop a generalized characterization of the water-based recreational site market in the State of Minnesota. This effort shall be conducted at a level of specificity that enables these data to be used to compare the Leech Lake site with others. These comparisons will demonstrate similarities and/or differences in the demographics, and perhaps the preferences of users of Corps sites and others, and may be instructive as to the types of improvements that would be most marketable in the Corps Leech Lake Site.

The completion of these two tasks would conclude Phase 1, and lead to a Phase 1 Letter Report, and a review and progress discussion meeting between the contractor's program manager and the Corps PM.

PHASE 2 – Synthesis

This phase will consist of two primary tasks that are inextricably intertwined. The first involves synthesis of an estimate of long-term market trends. This is critically important to the ultimate ranking of alternative development opportunities. The immediate objective of this program will be to move toward satisfying current market demands, but with priority assigned to those actions that also best intercept future market demand. Thus, there may be some iteration as this phase progresses, and newly developing estimates of future market trends tend to bias current plans in those directions.

The second task focuses on the contract's most challenging creative opportunity; that is, the synthesis of alternative futures for the Corps Leech Lake Recreation Site. Both tasks need to be conducted with sensitivity to the economic issues that will be more directly addressed in Phase 3. Future developments at the site must strive to get the Corps and the public the maximum bang-for-the-buck. In the final analysis, this study will probably identify more exciting opportunities than can reasonably be exploited in the near-term. In this case, sound estimates of the costs, risks, and benefits associated with each option will enable the Corps to make informed decisions on the allocation of resources and prioritization of projects.

1) Estimate Long Term Market Trends Relevant to the Leech Lake Recreation Site

This phase will set the stage for the cost/risk/benefit analyses addressed in Phase 3. Success in accurately predicting market trends, and the marketability of specific site attributes, will enable the Corps to focus its investment on those improvements that have the most enduring value, and consequently the greatest return on investment.

The contractor will undertake to estimate market trends affecting the site's marketability over a period of at least a decade into the future. At a minimum, the following parameters shall be considered (note: it is anticipated that the contractor's prior experience will obviate the need for new studies in many of these areas):

- a) Post 911 travel preferences – i.e. are more families electing to spend their leisure time at sites within driving distance, as opposed to sites requiring air travel? And, are vacationers inclined to feel somewhat safer in the remote Northern Minnesota environs than in metropolitan centers?
- b) Demographics – as the Baby-Boomer generation matures, is it likely that their recreational preferences will significantly alter traditional market statistics – and in what directions are their preferences and other influences likely to drive the market, i.e., toward more or less:
 - Eco-tourism
 - Hiking
 - Fishing
 - Pleasure boating
 - Hunting
 - Snowmobile riding
 - ATV usage

- Personal watercraft operation
 - Desire for cabins as opposed to camper sites
 - Mobile campers (consider fuel constraints)
 - Larger or smaller mobile campers and subsequent demands such as larger pads, 50 amp service, individual site utility services,
 - Earlier retirement
 - Greater or lesser mobility
 - Attraction to the comparative wilderness of the Corps site as others are absorbed into urban areas
 - 4-season recreation
 - Emphasis on pricing
 - Emphasis on amenities
 - Emphasis on aesthetics
 - Emphasis on safety
 - Emphasis on handicapped accessibility, and
 - All of the issues outlined in the current market analyses outlined in the previous Phase study.
- c) Economics – based on the contractors estimates of the nation’s general economic health – can we expect a profound economic impact on the mix of site users, and the level of utilization
- d) Competition – in addition to the many considerations outlined above that relate to the competitive environment – are there other major factors relating to competition that will skew the market matrix in the coming decade.

2) Synthesize and Analyze Potential Alternative Futures for the Study Site

a) Overview

This is the exciting phase of the program in which all of the collected data on past and current operations, perceived needs and desires, and market trends come together to support synthesis of alternatives relating to the site’s future. In considering its recommendations for future development, the contractor will strive to:

- Sustain and enhance the attributes of the site that have attracted its current clientele, responding to their interests in future alternatives
- Add facilities, services, and amenities that will attract potential users who have not previously utilized the Corps site
- Expand the level of utilization of the site in terms of occupancy rate, visitor hours and perhaps days of operation per year.
- Enhance the site’s positive impact on and symbiotic relationship to the community in which it resides

The contractor will also give careful consideration throughout this phase to:

- The level of Corps staffing required to maintain proposed operations
- The potential to beneficially utilize concessionaires to construct facilities and provide services within the site

- Formulation of recommendations to assist the Corps in attracting quality concessionaires as appropriate to proposed operations
- Opportunities to collaborate with regional resources to augment the camping experience, and the fun of being at the Corps site, by drawing site users into participation in regional activities (e.g., providing shuttle service to the nearby Casino, and to shopping centers in Walker and Bemidji etc.)

Without seeking in any way to constrain the scope of recommendations of the contractor, the Corps does, at a minimum, wish to receive recommendations relating to the following:

- The desirability of providing a concessionaire operated dining facility on the site
- The feasibility of operating on a 4-season basis, and the types and levels of operations that might be sustained in the winter months

b) Generalized Methodology

The contractor will be responsible for developing specific methodology for the analyses of the interdependent determinants that contribute to synthesis of alternative futures for the Leech Lake Recreation site. Like most challenges that involve attempts to characterize future scenarios, this is somewhat of a “3-dimensional chicken and egg problem”. In a generalized sense, the Corps interest is in the contractor’s best estimates of investments and actions it can undertake that will enhance the site’s attractiveness and utility to the broadest possible cross section of the public.

The challenge here arises from the fact that many of the considerations that bear on achieving the desired goal are interdependent in complex ways, and all are subject to rapid change in the present economic and geopolitical environment. For example, the cost of gasoline has recently risen nearly 30 cents a gallon. What might rising (or declining) fuel costs do to travel plans for owners of large camper vehicles? If travel is curtailed, will that increase or decrease the site’s utilization? Will the mosquito-borne West Nile Disease panic the public, and stay away from water related campgrounds? Would the addition of rental cabins attract one clientele, but diminish the interest of another – the mobile camper customers?

Use of some form of matrix analysis, in which each potential investment is described, and its impact on current and prospective customers is estimated, would enable the creation of a matrix of opportunities characterized in a manner that would facilitate the development and implementation of a well thought-out and defensible capital improvement program.

c) Concessionaire Issues

The Corps management team believes that certain concessionaire facilities will help maintain the existing customer base while attracting additional customers to the site. To the extent that this study results in improvements that expand

utilization of the site, it will attract the purveyors of more and more services. Although the site has successfully supported concessionaires for over eighty years, the number of concessionaires at Leech Lake Recreation Site has steadily declined over the last decade. Where there were once as many as five concessionaires on the site, now there is only one. The contractor will consider the nature of the surrounding community to reach conclusions on the relative potential for success of each identified concessionaire opportunity as well as the need for those concessionaires in relationship to present and future market conditions.

The contractor will:

- Formulate an inventory of likely concessionaires (i.e., convenience store, dining, bait, fuel, launch services, gift shop, marina facilities, and others).
- In a matrix format, estimate the level to which various concessionaires satisfy present and future Campground customer expectations, and
- Determine how the presence or absence of key concessionaires will impact present and future campground usage.
- Identify site improvements that will be most useful in attracting and retaining desired concessionaires.

d) Future Scenario Opportunities

The following potential opportunities are listed to provide bidders with some ideas that seem to have a regional constituency. They are incorporated here with some reluctance, because this RFP clearly does not seek to predetermine its own outcome. At the same time, the contractor's awareness of local perceptions may provide a useful starting point in evaluating certain options. The following are some of the options that may be of interest to the contractor's investigators:

- The contractor might study the history of the concession which provided food service on the site for the many years. How important is on-site food service deemed to be, and as we look to future markets, what level of quality and service must be provided to maintain a competitive posture? Do recommended operating scenarios support the attraction of a quality concessionaire if required? If not, what incentives might need to be offered?
- A concessionaire currently operates a charter launch service out of the site. Operations appear to be marginal. If the charter service is perceived to be important in recommended future operational scenarios, what can be done to stabilize and expand the market for this service? Can we expect to attract a quality operator on a market basis? Are there related issues that the contractor believes may favorably impact the profitability of a charter operation out of Leech Lake Recreation site? Possibilities include: growth in business based on growth in campsite occupancy; use of the charter launch to transport families with lakeshore homes to restaurant facilities in the

Corps site on a weekly schedule; and, use of the vessel to transport site tenants to either the Casino or the Walker shops

- Several Casinos are located near the Corps site. It might be possible to persuade a casino to run a shuttle between the Corps site and the casino, adding an interesting option for some of the site visitors on rainy days or mosquito-laden evenings. This may be important, as some types of camper vehicles require laborious preparation prior to moving, even for a short jaunt to the casino. If this works, is it possible that the casino would pay for or cost share transportation costs?
- A similar shuttle arrangement might be considered to transport site tenants to the shopping centers of both Walker and Bemidji. A potential source of funding for this service might be grants that some of the larger national merchants might offer to the site
- There currently is no developed swimming area at the site, and the nature of the waterfront is not favorable for swimming activities. The Corps could create a highly attractive beach-like swimming area if studies show that customers will value this improvement sufficiently to justify the cost
- Boat rental should be considered. It might prove attractive to offer this service so that the already heavily loaded camper vehicles would not have to tow a boat if the customer desires to fish or simply go boating. Perhaps an existing marina might consider a small satellite boat rental operation on the Corps site. Or, the existing concessionaire may find it feasible to upgrade and expand the level of services provided.
- The future requirements for camper sites should be studied and recommendations provided to guide the design of these facilities. Are there signs that future camping vehicles may create needs for site support that are quite different than today's
- The vagaries of Minnesota weather and the occasional superabundance of mosquitoes may combine to suggest the provision of an indoors recreational facility. If this is a valid consideration, what should it look like and what activities should it support? Options might include pool, ping-pong, cards, etc.
- Minnesota parks with cabins are believed to enjoy high occupancy rates. Should the Corps consider constructing some cabins on its site? If so, should they be year-around? Should the design be rustic or modern? How many should be considered? What size should they be?
- 4-Season operations might offer a major expansion of the site's revenue generation capability, and of its perception as a major magnet for attracting recreational enthusiasts to Northern Minnesota. This would entail significant investment in winterized utilities, and might also create greater incentives to build cabins on the site, but adding months to annual operations might be the single greatest opportunity available to the Corps.

The contractor shall consider options such as these, singly and in combination, and rank them as potential contributors to realization of the Corps objectives for the Leech Lake Recreation Site. Both capital and operating cost data should be estimated for any options that are recommended for implementation. Operating costs should include the cost of any new marketing initiatives required to promote the success of the proposed operational initiative.

All of the options considered shall be rigorously evaluated from the perspective of competition in the regional market. The Corps has an obvious desire to see its recreational sites succeed, and to serve the needs and interests of its customers in an exemplary fashion. At the same time, the Corps has no desire to compete head-on with private sector site operators who are satisfying market needs in any of the areas considered in this study. Options that compliment those available at other sites should rank most highly. It is likely that some direct competition will always be present, but the competitive analyses should attempt to steer the Corps into exciting underserved markets, rather than to define ways to achieve dominance in markets that are already well served.

The completion of these efforts will conclude Phase 2. The phase 2 report will be submitted within 45 working days after completion of the study and analysis activities.

PHASE 3 ECONOMIC ANALYSES AND PROJECT RANKING

This third phase of the contract studies will commence with a meeting at the site between the Corps PM, other Corps officials and the Contractor's project manager, together with any other essential contractor staff. The goal of this meeting will be the tentative prioritization of the contractor's recommendations for future projects to be implemented at the Leech Lake site.

1) Analysis and Ranking of Project Opportunities

The contractor will identify potential investments in facilities, staff, and activities that it believes can contribute significantly to attainment of the Corps goals for the site. The supporting rationale for each recommendation, and a first approximation of its costs, together with an estimate of the principal benefits it might provide will be outlined by contractor staff. The Corps staff will review these recommendations in the context of their understanding of government policy, local preferences, and the extensive experience of Corps personnel at this site. Following full discussion with the contractor, Corps staff will assign priorities to each proposed option, and indicate which of the projects considered should be eliminated from further consideration at this time. This will narrow the scope of options to a manageable level.

Following this meeting, the contractor will exert its best efforts to estimate the cost of implementing each of the options selected by the Corps as having significant potential to contribute to its goals for the site. It is recognized that in some cases, the costs,

risks and benefits will be modulated by the interdependence on certain considerations, and that multiple estimates of these parameters may be required. For example, if a restaurant is proposed on the basis of estimated 4-season operation, and other factors finally rule out 4-season occupancy, the restaurant's parametric analyses will need reevaluation. The Corps is well aware of these challenges, and will work with the contractor during the priority setting meetings to strive to minimize the potential for such radical shifts in assumptions.

It is further recognized that highly refined cost analyses of multiple projects such as these are beyond the scope of this contract. The purpose of these preliminary cost/risk/benefit analyses is to provide additional significant financial data relevant to the final selection of projects to be implemented at the site. More careful analyses of these parameters will be conducted at such time as each project is scheduled for implementation.

The contractor will itemize estimated costs for each project into the following categories:

- a. Capital expenditures
- b. Annual support required (approx. person hours)
- c. Annual non-staff operating costs
- d. Annual marketing expense if any, directly associated with this project
- e. The costs to provide incentives for concessionaires, if necessary, and
- f. The costs borne by concessionaires

(Note: The contractor should also note any interdependence issues that might significantly impact this project, or cases where failure to launch this project might undercut another proposed project)

The contractor will also characterize the most significant risks that it perceives to be associated with implementation of each proposed project. Many of these will be sensitivity issues, which the contractor can identify, but may not be able to rigorously quantify. These should include such considerations as:

- a. Sensitivity to weather extremes
- b. Sensitivity to the national and/or regional economy
- c. Sensitivity to terrorism concerns
- d. Dependence on implementation of other projects at the site
- e. The nature of the agreements with concessionaires

The analysis of benefits should include, at a minimum, considerations such as:

- a. Establishment of an image as one of Northern Minnesota's truly exciting water-related recreational destination sites
- b. Contribution to the economic, environmental and psychic health of the region in which the park resides
- c. Improvement in the quality of recreational experience for the site's traditional customers
- d. Attraction of new customers to the site
- e. Improvement in the site's operational return on investment

- f. Improvement of web presence, and links to other sites

The contractor will analyze these cost/risk/benefit parameters and rank each option, relative to all others, on each of these parameters. Thus, a specific option may be judged to offer the greatest benefit, at the second greatest cost, but with the highest risk. Such rankings will facilitate future Corps decisions on implementation of plans to make the Leech Lake site a crown jewel in the Corps network of water-related recreational sites. The results of Phase 3 efforts will be incorporated in the final report.

PHASE 4 IMPLEMENTATION

During this final phase of the program the contractor will utilize the results of the first three Phases to formulate recommendations relating to:

1. Specific projects ranked most likely to satisfy Corps goals and objectives
2. A schedule for implementation of the projects showing the rationale for the sequential timing recommended for each
3. An estimated time-phased capital and expense budget for each project
4. Identification of projects best operated by concessionaires
5. Recommendations relating to recruitment of quality concessionaires, and to any incentives perceived to be essential to such recruitment
6. A schedule of marketing activities, with recommendations relating to opportunities for joint marketing initiatives with regional partners, and
7. Identification of potential synergistic off-site private sector initiatives that the Corps might be able to stimulate by its on-site development.

The Contractor will meet with the Corps staff to present and explain these data and share in a discussion of the project recommendations with the Corps personnel. Following this meeting, the contractor will prepare and submit the Final Report, incorporating the specific results of Phase 3 and 4 studies, with the aggregate results of the entire contract effort. This concludes the contractor's task assignments under the proposed contract.

It should be noted that additional studies might be desired as the Corps proceeds toward implementation of projects recommended by this study. The Corps specifically retains the right to enter into negotiations with the Contractor to undertake such additional studies, or to include the Contractor in any future solicitation related to the outcome of this project.

E. DELIVERABLES

The schedule of deliverables under this contract includes:

- The initial contractor site visit and meetings with the Corp's representatives, including the PM
- The Phase 1 Report (Phase 1,2, & 3 reports to be in letter report format – 10 Hard Copies, plus two CD ROM copies)
- Contractor site visit to prepare for Phase 4 and Final Report activities
- The Integrated Phase 3 and 4 and Final Report in formal report format with 10 Bound Hard Copies, plus two CD ROM copies.